

# STATE OF LOUISIANA

## DEPARTMENT OF ENVIRONMENTAL QUALITY

<p><b>IN THE MATTER OF:</b></p> <p><b>GULFPORT ENERGY CORPORATION</b></p> <p><b>AI # 37103, 92464</b></p> <p><b>PROCEEDINGS UNDER THE LOUISIANA ENVIRONMENTAL QUALITY ACT</b></p> <p><b>LA. R.S. 30:2001, <u>ET SEQ.</u></b></p>	<p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p>	<p><b>Settlement Tracking No.</b></p> <p><b>SA-AE-07-0008</b></p> <p><b>Enforcement Tracking No.</b></p> <p><b>AE-CN-01-0267</b></p> <p><b>AE-CN-01-0267A</b></p> <p><b>AE-CN-01-0203</b></p> <p><b>Docket No. 2003-3297-EQ</b></p>
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## SETTLEMENT

The following Settlement is hereby agreed to between Gulfport Energy Corporation ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

### I

Respondent is a corporation who operates oil and gas production facilities at or near the Town of Hackberry, in Cameron Parish, Louisiana ("the Facilities").

### II

On February 21, 2003, the Department issued to Respondent a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-01-0267, which was based upon the following findings of fact:

The Respondent owns and/or operates an oil and gas production facility known as the East Hackberry Field Production Facility (AI No. 37103) located approximately 1.6 miles north of Hackberry in Cameron Parish, Louisiana. The facility operates under Air Permit No. 0560-00096-04 issued on November 16, 1998.

On February 7, 2001, an inspection of the East Hackberry Field Production Facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violations were noted during the course of the inspection:

- A. The Respondent failed to permit truck loading in "A" Battery and the 400 bbl slop tank in "A" Battery. This is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.
- B. The Respondent modified the operation of the facility without notifying the Department by removing compressors (Emission Points 14-98-ICE-ES and 15-98-ICE-ES) causing an increase in emissions from the Flare Tank Vent (Emission Point 6-93-FT-V). This is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- C. The Respondent failed to maintain records of operating parameters at the Flare Tank (Emission Point 6-93-FT-V) by removing the chart recorder equipment to measure gas vented through the flare tank. This is a violation of LAC 33:III.2104.G.5 and Section 2057(A)(2) of the Act.
- D. Observations made at the site revealed that oil rags were at gauging hatches of oil storage tanks, there were open containers of oil at the site, oil spills were not cleaned up in a timely manner, and liquids were dripping from valves and pipes. Based on these observations, it was noted that the Respondent failed to follow best practical housekeeping practices at the East Hackberry Field facility. This is a violation of LAC 33:III.2113 and Section 2057(A)(2) of the Act.
- E. The Respondent failed to submit a complete permit application for operations at the "B" Battery (Emission Point 17-98-OST-V) that included H<sub>2</sub>S and SO<sub>2</sub> emissions from the Oil Storage Tank "B" Battery (Emission Point 17-98-OST-V) and the Heater Treater Burner Stack "B" Battery (Emission Point 16-98-HT-BS). This is a violation of LAC 33:III.501.C.1 and Section 2057(A)(2) of the Act.

On June 3, 2002, an inspection of the East Hackberry Field Production Facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violations were noted during the course of the inspection:

- A. The Respondent failed to permit truck loading in "A" Battery and the 400 bbl slop tank in "A" Battery. This is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.

B. The Respondent began maintaining records of operating parameters at the Flare Tank (Emission Point 6-93-FT-V) subsequent to the February 7, 2001 inspection according to facility records that showed that measuring and recording equipment was put into service on March 7, 2001. Based on the facility records of measured volume of waste gas vented to the atmosphere for the calendar year 2001 and for the months of January through May 2002, the Department performed calculations revealing that actual VOC emissions from Emission Point 6-93-FT-V exceeded the permitted limit of 7.86 tons per year (TPY) listed in the Annual Emission Rates for that emission source in Air Permit No. 0560-00096-04 for calendar years 2001 and 2002 with the approximate amount as shown below:

Year	Volume (V) (SCF)	# moles (n)	VOC (TPY)	Permit Limit VOC (TPY)
2001	12,323,000	32,554.79	35.18	7.86
2002	8,966,000	23,970.06	25.60	7.86

$n = PV/RT$

P = pressure (15.025)

V = volume

R = Ideal gas constant (10.731 lb/inch<sup>2</sup> x ft<sup>3</sup>/lb x mole degree R)

T = 530 degree R

VOC (TPY) =  $n \times 18.6 \text{ lb/lb mole} \times 11.62\%/2000 \text{ lb}^*$

\*18.6 lb/lb mole & 11.62% based upon the gas analysis used in the Air Permit application for Air Permit No. 0560-00096-00

Each exceedance of the permitted limit for each year is a violation of General Condition II of Air Permit No. 0560-00096-04, LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

In response to the Consolidated Compliance Order and Notice of Potential Penalty, Respondent made a timely request for a hearing.

On December 19, 2003, the Department issued to Respondent an Amended Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-01-0267A, as follows:

The Department hereby amends paragraph I of the Findings of Fact of Consolidated Compliance Order and Notice of Potential Penalty AE-CN-01-0267 to read as follows:

“I.

The Respondent owns and/or operates an oil and gas production facility known as the M P Erwin Production Facility, East Hackberry Field (AI # 37103) located approximately 1.6 miles north of Hackberry in Cameron Parish, Louisiana. The facility operated under Air Permit No. 0560-00096-04 issued on November 16, 1998, until issuance of Air Permit No. 0560-00096-05 on May 23, 2003, under which the facility currently operates.”

The Department hereby amends paragraph II of the Findings of Fact of Consolidated Compliance Order and Notice of Potential Penalty AE-CN-01-0267 to read as follows:

“II.

On February 7, 2001, and June 9, 2003, inspections of the Respondent’s facility were performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violations were noted during the course of the inspections:

- A. The Respondent failed to permit truck loading in “A” Battery and the emissions from the Cold Vent Pole (Emission Point VE-01 as identified in the air permit modification application with cover letter dated November 11, 2002). This is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.
- B. The Respondent modified the operation of the facility without notifying the Department by removing compressors (Emission Points 14-98-ICE-ES and 15-98-ICE-ES) causing an increase in emissions from the Cold Vent Pole (Emission Point VE-01 as identified in the air permit modification application with cover letter dated November 11, 2002). This is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.
- C. The Respondent failed to maintain records of operating parameters at the Cold Vent Pole (Emission Point VE-01 as identified in the air permit modification application with cover letter dated November 11, 2002) by removing the chart recorder equipment to measure gas vented through the cold vent pole. This is a violation of LAC 33:III.2104.G.5 and Section 2057(A)(2) of the Act.”

The Department hereby amends paragraph III of the Findings of Fact of Consolidated Compliance Order and Notice of Potential Penalty AE-CN-01-0267 to read as follows:

“III

On June 3, 2002, and June 9, 2003, inspections of the Respondent’s facility were performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violation was noted during the course of the inspections:

The Respondent failed to permit truck loading in “A” Battery and the emissions from the Cold Vent Pole (Emission Point VE-01 as identified in the air permit modification application with cover letter dated November 11, 2002). This is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.”

The Department hereby removes paragraph III.B of the Findings of Fact section of Consolidated Compliance Order and Notice of Potential Penalty AE-CN-01-0267 in its entirety.

The Department hereby amends paragraphs I and II of the Compliance Order section of Consolidated Compliance Order and Notice of Potential Penalty AE-CN-01-0267 to read as follows:

“I.

To immediately take, upon receipt of this Compliance Order, any and all steps necessary to achieve and maintain compliance with the permit limitations of Air Permit No. 0560-00096-04 and the Air Quality Regulations, including but not limited to, preventing release of unpermitted emissions from the Cold Vent Pole (Emission Point VE-01 as identified in the air permit modification application with cover letter dated November 11, 2002) and preventing release of unpermitted emissions of H<sub>2</sub>S and SO<sub>2</sub> from the Oil Storage Tank “B” Battery (Emission Point 17-98-OST-V) and the Heater Treater Burner Stack “B” Battery (Emission Point 16-98-HT-BS) until such time that a permit modification is granted that permits the emissions. If compliance cannot

immediately be achieved, the Respondent shall submit to the Enforcement Division within fourteen (14) days of receipt of this Compliance Order a letter stating the reason compliance cannot immediately be achieved.

## II.

To submit an appropriate air permit application to the Permits Division, within ninety (90) days of receipt of this Compliance Order, that includes the emissions from the truck loading in "A" Battery, the current operations and emissions from the Cold Vent Pole (Emission Point VE-01 as identified in the air permit modification application with cover letter dated November 11, 2002) due to the removal of two compressors (Emission Points 14-98-ICE-ES and 15-98-ICE-ES) and that also includes the H<sub>2</sub>S and SO<sub>2</sub> emissions from the Oil Storage Tank "B" Battery (Emission Point 17-98-OST-V) and the Heater Treater Burner Stack "B" Battery (Emission Point 16-98-HT-BS). In addition, the Respondent shall submit a copy of the air permit application cover letter to the Enforcement Division."

The Department incorporated all of the remainder of the original Consolidated Compliance Order and Notice of Potential Penalty, Enforcement Tracking No. AE-CN-01-0267 and Agency Interest No. 37103 as if reiterated therein.

This Amended Compliance Order and Notice of Potential Penalty was effective upon receipt.

On July 1, 2003, the Department issued to Respondent a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-01-0203, which was based upon the following findings of fact:

The Respondent owns and/or operates an oil and gas production facility known as the East Hackberry Field SL 50 Production Facility (AI No. 92464) located approximately 2 miles northeast of Hackberry off of Louisiana Highway 27, east of the Calcasieu Ship Channel and west of Calcasieu

Lake in Cameron Parish, Louisiana. The Respondent's facility currently operates under Air Permit No. 0560-00050-01 issued on September 26, 1995. The permit was transferred from WRT Energy to Gulfport Energy Corporation on July 28, 1998, as a result of the name change. A permit modification application dated January 15, 2002, was submitted to the Permits Division.

On September 6, 2001, an inspection of Gulfport Energy Corporation's East Hackberry Field SL50 Production Facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violations were noted during the course of the inspection:

- A. According to the Application for Approval of Emission for Air Pollutants signed on July 10, 1995, the Respondent requested to remove the TEG Reboiler Moisture Vent (Emission Point 2-91) from Air Permit No. 0560-00050-00 because a condenser had been installed on the dehydrator still column vent and any remaining vapors were directed to the unit's firetube for combustion. However, during the inspection, the glycol dehydrator was operating and the still column vent was emitting volatile organic compounds (VOC) vapors to the atmosphere. The glycol still column vent is not listed as a permitted emission point in the current permit, Air Permit No. 0560-00050-01. No construction, modification or operation of a facility which ultimately may result in an initiation or increase in emission of air contaminants shall commence until a permit has been issued by the permitting authority. The Respondent's failure to permit the glycol still column prior to operation is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- B. The facility includes two 1500 barrel crude oil tanks, two heater treaters, two 1000 barrel produced water tanks, and two saltwater disposal pump engines which are not listed as emission points in the current permit. No construction, modification or operation of a facility which ultimately may result in an initiation or increase in emission of air contaminants shall commence until a permit has been issued by the permitting authority. The Respondent's failure to permit these emission points prior to operation is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.
- C. Air Permit No. 0560-00050-01 permitted the use of a 1266 horsepower compressor engine (Emission Point No. 4-95-ICE-ES). The Respondent performed the compliance test on November 7, 1995, in accordance with

Specific Condition No. 1 of the air permit and submitted the results to the Department in a report dated November 7, 1995. However, it was noted in the inspection report that the 1266 horsepower compressor engine originally installed under this permit and compliance tested had been replaced with an identical unit in March 1997. The Department has no receipt of a permit application from the Respondent informing the Department of the desire to make this replacement of equipment. According to LAC 33:III.501.C.1, permit applications shall be submitted prior to construction, reconstruction, or modification. The Respondent's failure to submit a permit application prior to replacing the permitted 1266 horsepower compressor engine is a violation of LAC 33:III.501.C.1 and Section 2057(A)(2) of the Act.

### III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

### IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of FIFTEEN THOUSAND FIVE HUNDRED THIRTY-NINE AND NO/100 DOLLARS (\$15,539.00) of which One Thousand Seven Hundred Twenty-One And 63/100 Dollars (\$1,721.63) represents the Department's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

### V

Respondent further agrees that the Department may consider the inspection report(s), the Consolidated Compliance Orders and Notices of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped



from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

## VI

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

## VII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

## VIII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Cameron Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

## IX

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department.

Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Accountant Administrator, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

X

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XI

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his or her respective party, and to legally bind such party to its terms and conditions.

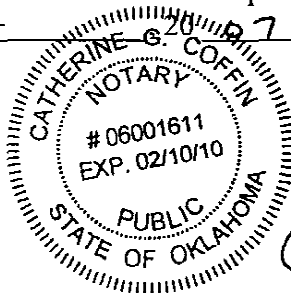
**GULFPORT ENERGY CORPORATION**

BY: Mike Moore  
(Signature)

Mike Moore  
(Print)

TITLE: CFO

THUS DONE AND SIGNED in duplicate original before me this 6<sup>th</sup> day of August, 2007, at 10:11 A.M.



Catherine G. Coffin  
NOTARY PUBLIC (ID #06001611)  
CATHERINE G COFFIN  
(Print)

**LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY**

Mike D. McDaniel, Ph.D., Secretary

BY: Harold Leggett  
Harold Leggett, Ph.D., Assistant Secretary  
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 23<sup>rd</sup> day of October, 2007, at Baton Rouge, Louisiana.

Phyllis A. Bayle  
NOTARY PUBLIC (ID # 40539)  
Phyllis A. Bayle  
(Print)

Approved: Harold Leggett  
Harold Leggett, Ph.D., Assistant Secretary